

**Translation**

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## Consolidated Financial Results for the Six Months Ended June 30, 2023 (Based on Japanese GAAP)

August 7, 2023

Company name: Nippon Denko Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 5563 URL <https://www.nippondenko.co.jp/en/>  
 Representative: President Yasushi Aoki  
 Executive Officer and General Manager of  
 Inquiries: General Affairs Department Toru Tanaka TEL 03-6860-6800  
 Scheduled date to file Quarterly Securities Report: August 7, 2023  
 Scheduled date to commence dividend payments: September 8, 2023  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

## 1. Consolidated financial results for the six months ended June 30, 2023 (from January 1, 2023 to June 30, 2023)

## (1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2023	39,416	2.6	1,937	(67.1)	1,099	(84.5)	800	(85.6)
Six months ended June 30, 2022	38,433	24.2	5,894	48.7	7,114	166.4	5,557	202.5

Note: Comprehensive income For the six months ended June 30, 2023: ¥ 213 million [-96.6%]  
 For the six months ended June 30, 2022: ¥ 6,203 million [127.6%]

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	5.81		-	
Six months ended June 30, 2022	37.84		-	

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2023	99,201	67,164	67.7
As of December 31, 2022	104,943	69,225	65.9

Reference: Equity

As of June 30, 2023: ¥67,164 million  
 As of December 31, 2022: ¥69,187 million

## 2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31, 2022	-	8.00	-	9.00	17.00
Year ending December 31, 2023	-	3.00	-	-	-
Year ending December 31, 2023 (Forecast)	-	-	-	4.00	7.00

Note: Revisions to the forecast of cash dividends most recently announced: No

## 3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Percentages indicate year-on-year changes

	Net sales		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	78,000	(1.7)	2,500	(75.9)	3,000	(62.3)	21.78

Note: Revisions to the forecast of consolidated financial results most recently announced: Yes

For further details, please refer to the "Notice Concerning Revisions to Consolidated Earnings Forecast" which was released on August 7, 2023.

#### 4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2023  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

#### (4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2023	137,217,772 shares	As of December 31, 2022	146,931,567 shares
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Number of treasury shares at the end of the period

As of June 30, 2023	2,194 shares	As of December 31, 2022	7,092,135 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2023	137,739,311 shares	Six months ended June 30, 2022	146,857,956 shares
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\* Quarterly financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

\* Proper use of earnings forecasts, and other special matters

The earnings forecasts aforementioned are calculated based on information available at the present time, and since they contain considerable uncertain elements, actual results may differ significantly from the forecast figures. Concerning the forecasts for the fiscal year ending December 2023, please refer to page 3 of the attached materials, "1. Qualitative information on quarterly consolidated financial results (2) Qualitative information on the forecast of consolidated financial results."

## Supplementary Materials

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## 1. Qualitative information on quarterly consolidated financial results

### (1) Qualitative information on consolidated financial results

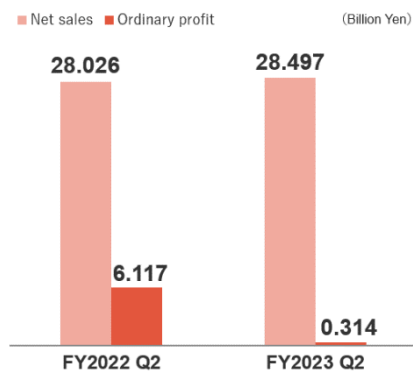
During the second quarter of the fiscal year under review (January 1, 2023 to June 30, 2023), the global economy has seen positive growth in countries such as the United States, Europe, and China, as compared to the same period of the previous year. However, there are concerns on a potential slowdown in future economic growth due to factors such as the monetary tightening attributable to the continued apprehensions as regards inflation in the United States and Europe, lower-than-expected economic growth in China despite anticipated recovery after the easing of COVID-19 lockdown measures, and ongoing high energy prices resulting from the Russian incursion in Ukraine.

In Japan, the economy has witnessed a gradual recovery as economic activities are starting to normalize due to the easing of COVID-19 restrictions. However, at the same time, the continued price surge in energy and raw materials has created a challenging environment for domestic manufacturing industries.

Against this backdrop, net sales for the second quarter of the fiscal year under review amounted to ¥39,416 million (+2.6% year-on-year) due to the yen's depreciation trend. However, in terms of profitability, the mainstay ferroalloys business was noted to be significantly affected by the decline in global market conditions; this resulted in factors such as inventory impact to decrease in profit. As a result, operating profit decreased to ¥1,937 million (-67.1% year-on-year), ordinary profit decreased to ¥1,099 million (-84.5% year-on-year), and quarterly profit attributable to owners of parent decreased to ¥800 million (-85.6% year-on-year), respectively.

The business performance of each segment is as follows:

(Ferroalloys business)



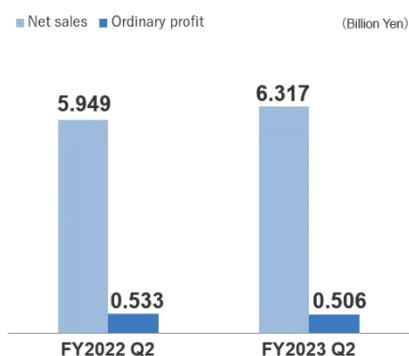
Global crude steel production during the second quarter of the fiscal year under review has also decreased by 1.1%, that is, to 943.9 million tons, compared to the same period of the previous year, as India and China exceeded their year-on-year production levels while other countries fell below. In Japan, despite signs of gradual recovery in economic activities, the impact of sluggish growth in the construction sector and other factors has resulted in a 4.7% decrease in crude steel production, that is, to 43.83 million tons, as compared to the same period of the previous year.

Against this backdrop, the global market for our mainstay product, high-carbon ferromanganese, remained significantly low as compared to the same period of the previous fiscal year due to continued easing of global demand. On the other hand, despite the low market prices for the main raw material, that is, manganese ore, manufacturing costs were noted to increase due to the beginning-of-period inventory, which reflected the high prices of the main material purchased in the previous year and higher electricity costs. We have undertaken various initiatives to improve profit, including adjustments to our pricing scheme, in order to mitigate the negative impact of cost increases excluding inventory impact. However, despite our efforts, we were not able to completely mitigate the negative impact of inventory, which, in turn, resulted in a significant decline in profits compared to the same period of the previous year.

Furthermore, our overseas equity method affiliates also witnessed a decline in performance compared to the same period of the previous year, as they were also affected by the decline in market prices.

As a result, net sales and ordinary profit in the ferroalloy business were ¥28,497 million (+1.7% year-on-year) and ¥314 million (-94.9% year-on-year), respectively.

## (Functional materials business)



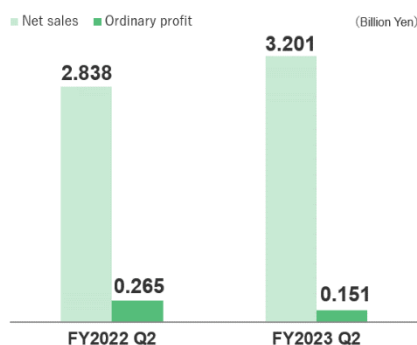
The sales of ferroboron, which resumed production in November of FY2022, gained momentum in the second quarter of the fiscal year under review and showed steady growth in volume. Additionally, sales volume of automotive battery materials, such as metal hydride alloys and cathode materials for lithium-ion battery contract manufacturing, has also surpassed the previous year's levels. This increase in volume can be attributed to a recovery trend in automotive manufacturing as the semiconductor-related supply shortage diminished.

On the other hand, the sales volume of zirconium oxide declined year-on-year due to a reduced demand brought about by customer inventory adjustments.

Moreover, we have effectively passed on the rising electricity prices by steadily adjusting our sales prices.

As a result, net sales and ordinary profit in the functional materials business were ¥6,317 million (+6.2% year-on-year) and ¥506 million (-5.0% year-on-year), respectively.

## (Environment business)



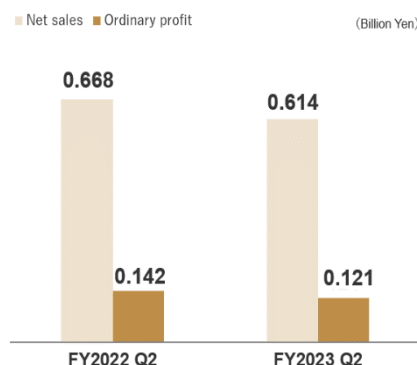
In the environmental systems business, orders for ion-exchange resin towers were noted to be significant.

In the melting & solidification of incineration ash business of Chuo Denki Kogyo Co., Ltd., the treatment volume surpassed that of the same period of previous year; this may have been driven by the start of operations of the No.4 incinerator ash melting Furnace (EM4) in October in 2022. On the other hand, we are working on implementing price revisions to pass on the increased electricity costs since last year. While some revisions have already been in effect, we are continuously engaging in ongoing

discussions with municipalities for further price adjustments.

As a result, net sales and ordinary profit in the environmental business were ¥3,201 million (+12.8% year-on-year) and ¥151 million (-43.1% year-on-year), respectively.

## (Electric power business)



The electric power business observed two hydroelectric power plants operate smoothly as part of the renewable energy feed-in tariff (FIT) system. However, compared to the favorable weather conditions in the same period of the previous year, the amount of electricity sales volume decreased.

As a result, net sales and ordinary profit in the electric power business were ¥614 million (-8.1% year-on-year) and ¥121 million (-15.1% year-on-year), respectively.

## (2) Qualitative information on the forecast of consolidated financial results

Full-year earnings forecasts for FY2023 have been revised from the "Notice Concerning Consolidated Earnings and Dividend Forecasts," which was released last May 11, 2023. For further details, please refer to the "Notice Concerning Revisions to Consolidated Earnings Forecast," which was released last August 7, 2023.

**2. Consolidated financial statements for the quarter and primary notes****(1) Consolidated balance sheets for the quarter**

	(Millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,911	7,949
Notes and accounts receivable - trade	11,720	9,728
Merchandise and finished goods	19,892	22,134
Work in process	284	229
Raw materials and supplies	13,430	10,568
Other	2,716	2,560
Allowance for doubtful accounts	(15)	-
Total current assets	56,940	53,171
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,027	6,103
Machinery, equipment and vehicles, net	11,125	10,919
Land	5,298	5,298
Leased assets, net	3,309	3,227
Construction in progress	364	175
Other, net	285	318
Total property, plant and equipment	26,410	26,044
Intangible assets	164	279
Investments and other assets		
Investment securities	14,327	12,723
Long-term loans receivable	5,109	5,233
Retirement benefit asset	546	572
Deferred tax assets	1,107	886
Other	337	290
Total investments and other assets	21,428	19,706
Total non-current assets	48,003	46,030
Total assets	104,943	99,201

	(Millions of yen)	
	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	7,621	5,020
Short-term borrowings	8,000	3,000
Current portion of long-term borrowings	2,558	3,528
Lease liabilities	156	156
Income taxes payable	819	774
Provision for bonuses	332	255
Provision for bonuses for directors (and other officers)	70	17
Notes payable - facilities	424	92
Other	4,945	4,065
Total current liabilities	24,929	16,911
Non-current liabilities		
Long-term borrowings	6,192	10,668
Lease liabilities	4,144	4,095
Deferred tax liabilities	5	-
Other	446	361
Total non-current liabilities	10,789	15,125
Total liabilities	35,718	32,037
Net assets		
Shareholders' equity		
Share capital	11,084	11,096
Capital surplus	21,439	17,450
Retained earnings	36,244	35,786
Treasury shares	(3,001)	(0)
Total shareholders' equity	65,767	64,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,020	1,202
Deferred gains or losses on hedges	5	1
Foreign currency translation adjustment	1,599	871
Remeasurements of defined benefit plans	794	756
Total accumulated other comprehensive income	3,419	2,831
Non-controlling interests	37	-
Total net assets	69,225	67,164
Total liabilities and net assets	104,943	99,201

**(2) Consolidated statements of income and consolidated statements of comprehensive income for the quarter****Consolidated statements of income**

	(Millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	38,433	39,416
Cost of sales	29,305	34,126
Gross profit	9,128	5,290
Selling, general and administrative expenses	3,233	3,353
Operating profit	5,894	1,937
Non-operating income		
Interest income	72	103
Dividend income	110	78
Share of profit of entities accounted for using equity method	1,065	–
Foreign exchange gains	331	164
Other	152	217
Total non-operating income	1,732	564
Non-operating expenses		
Interest expenses	242	245
Share of loss of entities accounted for using equity method	–	853
Loss on retirement of non-current assets	157	212
Other	112	89
Total non-operating expenses	512	1,402
Ordinary profit	7,114	1,099
Extraordinary income		
Gain on sale of investment securities	146	564
Total extraordinary income	146	564
Extraordinary losses		
Loss on retirement of non-current assets	27	21
Loss on sale of shares of subsidiaries and associates	–	47
Other	–	1
Total extraordinary losses	27	70
Profit before income taxes	7,233	1,593
Income taxes - current	940	660
Income taxes - deferred	726	132
Total income taxes	1,667	793
Profit	5,566	800
Profit attributable to non-controlling interests	9	0
Profit attributable to owners of parent	5,557	800



**Consolidated statements of comprehensive income**

	(Millions of yen)	
	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	5,566	800
Other comprehensive income		
Valuation difference on available-for-sale securities	(161)	183
Deferred gains or losses on hedges	3	(4)
Remeasurements of defined benefit plans, net of tax	(13)	(38)
Share of other comprehensive income of entities accounted for using equity method	808	(728)
Total other comprehensive income	637	(587)
Comprehensive income	6,203	213
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,201	212
Comprehensive income attributable to non-controlling interests	2	1

**(3) Notes relating to consolidated financial statements for the quarter**

**(Note on premise of going concern)**

Not applicable

**(Note on significant change in the amount of shareholders' equity)**

Not applicable

**(Additional information)**

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and our domestic consolidated subsidiaries have transitioned from a consolidated taxation system to a group tax sharing system from the first quarter of the fiscal year 2023. Consequently, the accounting and disclosure of income tax, local income tax and tax effect accounting are in accordance with "The Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter referred to as "PITF No. 42"). In addition, based on Paragraph 32(1) of PITF No. 42, the Company expects no impact of the change in accounting policies.

**(Segment information, etc.)**

[Segment information]

Second quarter of FY2022 (From January 1, 2022 to June 30, 2022)

## 1. Information on net sales and profit (loss) by reportable segment and breakdown information

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjust- ment	Amount on consoli- dated financial state- ments (Note) 2
	Ferro- alloys business	Func- tional Materials business	Environ- mental business	Electric Power business	Total				
Net sales									
Revenue from contracts with customers	28,026	5,949	2,838	668	37,482	951	38,433	—	38,433
Net sales from external customers	28,026	5,949	2,838	668	37,482	951	38,433	—	38,433
Intersegment sales or transfers	70	111	—	—	181	89	271	(271)	—
Total	28,096	6,060	2,838	668	37,663	1,041	38,704	(271)	38,433
Segment profit (loss)	6,117	533	265	142	7,059	55	7,114	—	7,114

Notes: 1. The "Other" classification is business segments that are not included in reportable segments, and is mainly sales of chemicals, etc., and other subsidiary businesses.

2. The total of segment profit matches ordinary profit in the consolidated statement of income.

2. Impairment losses on fixed assets & information concerning goodwill by reportable segment  
(Significant Impairment losses related to Non-current assets)

Not applicable

## Second quarter of FY2023 (From January 1, 2023 to June 30, 2023)

## 1. Information on net sales and profit (loss) by reportable segment and breakdown information

(Millions of yen)

	Reportable segments					Other (Note) 1	Total	Adjust- ment	Amount on consoli- dated financial state- ments (Note) 2
	Ferro- alloys business	Func- tional Materials business	Environ- mental business	Electric Power business	Total				
Net sales									
Revenue from contracts with customers	28,497	6,317	3,201	614	38,629	787	39,416	—	39,416
Net sales from external customers	28,497	6,317	3,201	614	38,629	787	39,416	—	39,416
Intersegment sales or transfers	44	46	—	—	90	50	141	(141)	—
Total	28,541	6,363	3,201	614	38,720	837	39,558	(141)	39,416
Segment profit (loss)	314	506	151	121	1,093	6	1,099	—	1,099

Notes: 1. The "Other" classification is business segments that are not included in reportable segments, and is mainly sales of chemicals, etc., and other subsidiary businesses.

2. The total of segment profit matches ordinary profit in the consolidated statement of income.

## 2. Impairment losses on fixed assets &amp; information concerning goodwill by reportable segment

(Significant Impairment losses related to Non-current assets)

Not applicable